

## Program A: Mineral Resources Management

Program Authorization: La. Const. Article IX, Sec. 3 - 6; R.S. 36:351; R.S. 30:121

### PROGRAM DESCRIPTION

The State of Louisiana holds title to vast areas of land and water bottoms which produce or have the potential to produce minerals (primarily oil and gas). Leasing of these areas for mineral production provides a large revenue source for the state. The Mineral Resources Management Program provides staff support to the State Mineral Board which ensures that the state is obtaining the highest possible returns from the leasing of these lands. The mission of this program is to provide staff support to the State Mineral Board in granting and administering leases on state-owned lands and waterbottoms for the production and development of minerals, primarily oil and gas. The goal of this program is to support the Mineral Board and to ensure that the state-owned lands and water bottoms produce an optimal return on investments for the State of Louisiana annually. There is one activity in this program: Mineral Resources Management.

### OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2000-2001. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

**The objectives and performance indicators that appear below are associated with program funding in the Base Executive Budget for FY 2000-01. Specific information on program funding is presented in the financial sections that follow performance tables.**

1. (KEY) To increase the percentage of productive acreage to 38% of the total acreage leased for oil and gas production.

Strategic Link: Objective 1.1: To aggressively develop the Leasing Program to increase productive acreage on state owned land and waterbottoms by 1%.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of total leased acreage in production	32.0%	35.4%	33.0%	33.0%	38.0%	38.0%
S	Total leased acreage	1,335,000	1,167,581	1,295,000	1,295,000	1,200,000	1,200,000
S	Leased acreage in production	427,000	412,929	425,000	425,000	425,000	425,000

2. To increase the percentage of royalties audited to 28% of total royalties paid.

Strategic Link: Objective 1.2: To increase the percentage of royalties audited to total royalties paid by 1%.

LEVEL	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1998-1999	ACTUAL YEAREND PERFORMANCE FY 1998-1999	ACT 10 PERFORMANCE STANDARD FY 1999-2000	EXISTING PERFORMANCE STANDARD FY 1999-2000	AT CONTINUATION BUDGET LEVEL FY 2000-2001	AT RECOMMENDED BUDGET LEVEL FY 2000-2001
K	Percentage of total royalties paid which are audited	25.9%	33.7%	27.0%	27.0%	28.0%	28.0%
S	State audit exceptions billed (Millions) <sup>1</sup>	\$28.0	\$22.4	\$15.0	\$15.0	\$15.0	\$15.0

<sup>1</sup> This indicator represents between 5% and 10% of total royalty dollars collected.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1998-1999	ACT 10 1999- 2000	EXISTING 1999- 2000	CONTINUATION 2000 - 2001	RECOMMENDED 2000 - 2001	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	6,493,320	10,994,243	10,994,243	11,149,369	11,060,133	65,890
Statutory Dedications	803,697	1,600,000	1,600,000	1,600,000	1,400,000	(200,000)
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	62,077	129,997	129,997	129,997	129,997	0
TOTAL MEANS OF FINANCING	<b>\$7,359,094</b>	<b>\$12,724,240</b>	<b>\$12,724,240</b>	<b>\$12,879,366</b>	<b>\$12,590,130</b>	<b>(\$134,110)</b>
EXPENDITURES & REQUEST:						
Salaries	\$2,596,741	\$2,883,506	\$2,883,506	\$2,978,769	\$3,040,162	\$156,656
Other Compensation	143,729	20,394	20,394	20,394	20,394	0
Related Benefits	460,736	509,408	509,408	522,769	532,384	22,976
Total Operating Expenses	499,956	613,155	613,155	613,692	603,437	(9,718)
Professional Services	233,731	1,020,000	1,020,000	1,020,000	1,020,000	0
Total Other Charges	3,382,937	7,672,888	7,672,888	7,672,888	7,322,899	(349,989)
Total Acq. & Major Repairs	41,264	4,889	4,889	50,854	50,854	45,965
TOTAL EXPENDITURES AND REQUEST	<b>\$7,359,094</b>	<b>\$12,724,240</b>	<b>\$12,724,240</b>	<b>\$12,879,366</b>	<b>\$12,590,130</b>	<b>(\$134,110)</b>
AUTHORIZED FULL-TIME						
EQUIVALENTS: Classified	80	80	80	80	80	0
Unclassified	1	1	1	1	1	0
TOTAL	<b>81</b>	<b>81</b>	<b>81</b>	<b>81</b>	<b>81</b>	<b>0</b>

## SOURCE OF FUNDING

This program is funded with Fees and Self-generated Revenues, Statutory Dedications, and Federal Funds. The Fees and Self-generated Revenues are derived from the following: (1) assessing a 10% fee on the bonus amount for each lease awarded; (2) assessing a \$100 fee for each assignment and \$500 for each unitization proposal or other instrument requiring advertisement; (3) assessing fees for geophysical permits; (4) assessing fees or liquidated damages as specified in certain lease forms for failure to timely submit releases of leases and production on unleased acreage; (5) assessing a fee of \$35 per hour for staff time required to process claims for refunds of overpayment of royalties caused by the payer's errors; (6) assessing a fee for reproduction expenses; (7) assessing a fee of \$120 per year for each subscription for Notices of Publication which describe tracts being offered for lease and contain lease sale results and other special notices; (8) assessing a fee of \$200 for mineral lease nominations; (9) assessing a 10% late royalty payment penalty; (10) assessing a 5% incorrect royalty reporting penalty; (11) the sale of lease maps; and (12) assessing a \$100 per day penalty for late assignments. These Self-generated Revenues provide for the operational expenses of this office. The Statutory Dedications are derived from the Legal Support fund per Act 1293 of 1995 and the Mineral Audit and Collection Fund per Act 673 of 1997. (Per R.S. 39:32B. (8), see table below for a listing of expenditures out of each statutory dedicated fund.) The Federal Funds are derived from the Department of Interior's Mineral Management Service.

	ACTUAL	ACT 10	EXISTING	CONTINUATION	RECOMMENDED	RECOMMENDED
	1998-1999	1999- 2000	1999- 2000	2000 - 2001	2000 - 2001	OVER/(UNDER)
						EXISTING
Legal Support Fund	\$203,698	\$1,000,000	\$1,000,000	\$1,000,000	\$800,000	(\$200,000)
Mineral Audit and Collection Fund	\$599,999	\$600,000	\$600,000	\$600,000	\$600,000	\$0

## ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
<b>\$0</b>	<b>\$12,724,240</b>	<b>81</b>	<b>ACT 10 FISCAL YEAR 1999-2000</b>
			<b>BA-7 TRANSACTIONS:</b>
\$0	\$0	0	None
<b>\$0</b>	<b>\$12,724,240</b>	<b>81</b>	<b>EXISTING OPERATING BUDGET – December 3, 1999</b>
\$0	\$56,376	0	Annualization of FY 1999-2000 Classified State Employees Merit Increase
\$0	\$50,605	0	Classified State Employees Merit Increases for FY 2000-2001
\$0	(\$19,718)	0	Risk Management Adjustment
\$0	(\$4,889)	0	Non-Recurring Acquisitions & Major Repairs
\$0	\$138,620	0	Salary Base Adjustment
\$0	(\$69,675)	0	Attrition Adjustment
\$0	(\$156,656)	0	Salary Funding from Other Line Items
\$0	\$2,211	0	Civil Service Fees
\$0	(\$492,000)	0	Continuation of reductions imposed by Executive Order MJF 99-52 in FY 00-01
\$0	\$60,854	0	Other Adjustments - Office equipment for Field Auditors
\$0	\$500,162	0	Other Adjustments - IAT to the Office of the Secretary for indirect cost
\$0	(\$200,000)	0	Other Adjustments - Reduce Statutory Dedications - Mineral Audit and Collection Fund to revenue projections by the Revenue Estimating Conference (REC)
<b>\$0</b>	<b>\$12,590,130</b>	<b>81</b>	<b>TOTAL RECOMMENDED</b>
<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS</b>
<b>\$0</b>	<b>\$12,590,130</b>	<b>81</b>	<b>BASE EXECUTIVE BUDGET FISCAL YEAR 2000-2001</b>
			<b>SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL:</b>
\$0	\$0	0	None

\$0	\$0	0	<b>TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON SALES TAX RENEWAL</b>
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	<b>TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE</b>
\$0	\$12,590,130	81	<b>GRAND TOTAL RECOMMENDED</b>

The total means of financing for this program is recommended at 99.0% of the existing operating budget. It represents 89.8% of the total request (\$14,027,262) for this program. The 1.0% decrease is due to non-recurring acquisitions and major repairs, risk management, continuation of reductions imposed by Executive Order MJF 99-52 in FY 00-01, funding adjustment necessary to ensure adequate funding, with attrition, of 81 recommended positions, and a decrease in Statutory Dedications - Mineral Audit and Collection Fund to revenue projections by Revenue Estimating Conference. This program does not have any positions that have been vacant for one (1) year or more.

## PROFESSIONAL SERVICES

\$1,000,000	To Be Assigned - Legal services to pursue recovery of mineral underpayments per Act 1293 of 1995
\$20,000	To Be Assigned - Computer consultation relative to the royalty accounting and leasing information systems
<b>\$1,020,000</b>	<b>TOTAL PROFESSIONAL SERVICES</b>

## OTHER CHARGES

\$847,667	Upgrade royalty accounting and leasing information systems computer for the Department
\$3,395	Recordation of leases and other documents for re-leasing of state acreage
\$30,000	Continuing education of professional employees to maintain certification in their respective fields
\$241,740	Upgrade computer system with GIS software for digital mapping and spatial analysis for the Department
<b>\$1,122,802</b>	<b>SUB-TOTAL OTHER CHARGES</b>
	<b>Interagency Transfers:</b>
\$71,143	DNR - Secretary - Executive Program - indirect cost of the legal section for services rendered
\$5,356,743	DNR - Secretary - Management and Finance Program - indirect cost for administrative services and data processing
\$720,000	LSU - Transferred the Louisiana Geological Survey
\$50,000	Division of Administration - Office of State Lands for lease preparation
\$2,211	Civil Service Adjustment
<b>\$6,200,097</b>	<b>SUB-TOTAL INTERAGENCY TRANSFERS</b>
<b>\$7,322,899</b>	<b>TOTAL OTHER CHARGES</b>

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**\$6,200,097 SUB-TOTAL INTERAGENCY TRANSFERS**

**\$7,322,899 TOTAL OTHER CHARGES**

## ACQUISITIONS AND MAJOR REPAIRS

\$50,854	Replacement Equipment: Six (6) Workstations, four (4) secretarial chairs, four (4) legal file cabinets, two (2) printer tables, two (2) work tables, two (2) side chairs, and four (4) computers
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**\$50,854 TOTAL ACQUISITIONS AND MAJOR REPAIRS**